

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

**ANNUAL REPORT MAILING LABEL -- MAKE CHANGES AS NECESSARY**

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E-01345A  
Arizona Public Service Company  
PO Box 53999  
Station 9905 9708  
Phoenix, AZ 85072-3999

**ANNUAL REPORT**  
**Electric**

**FOR YEAR ENDING**

12	31	2009
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FOR COMMISSION USE

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APR 14 2010

AT THE BOARD  
DIRECTOR

A-20-10

## COMPANY INFORMATION

**Company Name (Business Name)** Arizona Public Service Company

**Mailing Address** P.O. Box 53999

(Street)

Phoenix

(City)

Arizona

(State)

85072-3999

(Zip)

602-250-1000

Telephone No. (Include Area Code)

602-250-3003

Fax No. (Include Area Code)

n/a

Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

**Local Office Mailing Address** Same as above

(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

## MANAGEMENT INFORMATION

☒ **Regulatory Contact:**

☒ **Management Contact:** Leland R. Snook, Director, State Regulation and Pricing

(Name)

(Title)

400 N. 5th Street, MS 9708

(Street)

Phoenix

(City)

Arizona

(State)

85004

(Zip)

602-250-3730

Telephone No. (Include Area Code)

602-250-3003

Fax No. (Include Area Code)

Cell No. (Include Area Code)

**Email Address** Leland.Snook@aps.com

**On Site Manager:** Same as above

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

**Statutory Agent:** CT Corporation

(Name)

3225 N. Central Ave.

Phoenix

Arizona

85012

(Street)

(City)

(State)

(Zip)

602-250-3252

n/a

n/a

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

**Attorney:** David P. Falck, Executive Vice President, General Counsel and Secretary

(Name)

400 N. 5th Street, MS 9068

Phoenix

Arizona

85004

(Street)

(City)

(State)

(Zip)

602-250-3252

n/a

n/a

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

**Email Address** David.Falck@aps.com

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) \_\_\_\_\_

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☒ APACHE

☒ COCHISE

☒ COCONINO

☒ GILA

☐ GRAHAM

☐ GREENLEE

☒ LA PAZ

☒ MARICOPA

☐ MOHAVE

☒ NAVAJO

☒ PIMA

☒ PINAL

☐ SANTA CRUZ

☒ YAVAPAI

☒ YUMA

☐ STATEWIDE

## SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

☒ **Electric**

- ☒ Investor Owned Electric
- ☐ Rural Electric Cooperative
- ☐ Utility Distribution Company
- ☐ Electric Service Provider
  - ☐ Transmission Service Provider
  - ☐ Meter Service Provider
  - ☐ Meter Reading Service Provider
  - ☐ Billing and Collection
  - ☐ Ancillary Services
  - ☐ Generation Provider
  - ☐ Aggregator/Broker

☐ **Other (Specify)** \_\_\_\_\_

## STATISTICAL INFORMATION

Total number of customers	1,108,829	
Residential	983,539	
Commercial	120,305	
Industrial	3,538	
Public Street and Highway lighting	1,080	
Irrigation	319	
Resale	48	
Total kilowatt-hours sold	32,279,505,000	kWh
Residential	13,214,097,000	
Commercial	12,615,825,000	
Industrial	2,189,601,000	
Public Street and Highway lighting	129,941,000	
Irrigation	23,832,000	
Resale	4,106,209,000	
Maximum Peak Load	7,218	MW

**COMPANY NAME:** Arizona Public Service Company

**UTILITY SHUTOFFS / DISCONNECTS**

<b>MONTH</b>	<b>Termination without Notice R14-2-211.B</b>	<b>Termination with Notice R14-2-211</b>	<b>OTHER</b>
<b>JANUARY</b>	15	4,664	
<b>FEBRUARY</b>	9	4,127	
<b>MARCH</b>	7	4,237	
<b>APRIL</b>	5	3,816	
<b>MAY</b>	9	3,105	
<b>JUNE</b>	3	4,405	
<b>JULY</b>	8	4,394	
<b>AUGUST</b>	5	4,777	
<b>SEPTEMBER</b>	1	6,422	
<b>OCTOBER</b>	14	6,414	
<b>NOVEMBER</b>	10	4,966	
<b>DECEMBER</b>	12	4,503	
<b>TOTALS →</b>	98	55,830	

OTHER (description):

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**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

**VERIFICATION**

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Maricopa
NAME (OWNER OR OFFICIAL) TITLE Denise R. Danner, Vice President, Controller and CAO
COMPANY NAME Arizona Public Service Company

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2009

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2009 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 3,271,118,940

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 285,186,729  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Denise R. Danner

SIGNATURE OF OWNER OR OFFICIAL

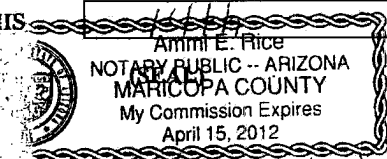
602-250-2747

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 11/15 DAY OF



COUNTY NAME Maricopa	
MONTH April	2010

Arimi E. Rice

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 4/15/12

RECEIVED  
APR 14 2010  
XEROX CLERK  
Director J. Jones

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Maricopa	
NAME (OWNER OR OFFICIAL) Denise R. Danner, Vice President, Controller and CAO	TITLE
COMPANY NAME Arizona Public Service Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2009

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2009 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,639,249,801

(THE AMOUNT IN BOX AT LEFT

INCLUDES \$ 143,972,531

IN SALES TAXES BILLED, OR COLLECTED

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

*Denise R. Danner*

SIGNATURE OF OWNER OR OFFICIAL

602-250-2747

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

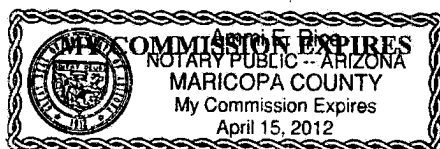
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

14th

DAY OF

(SEAL)



NOTARY PUBLIC NAME <i>Ammi E. Rice</i>	
COUNTY NAME <i>Maricopa</i>	
MONTH <i>April</i>	YEAR <i>2010</i>

*Ammi E. Rice*

SIGNATURE OF NOTARY PUBLIC

## **FINANCIAL INFORMATION**

Attach to this annual report a copy of the Company year-end (Calendar Year 2009) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

Attached are the Arizona Public Service Company Balance Sheets, Statement of Cash Flows, and Statements of Changes in Common Stock Equity from the Arizona Public Service Company Form 10-K for the fiscal year ended December 31, 2009 (pages 154 - 157).



**ARIZONA PUBLIC SERVICE COMPANY**  
**BALANCE SHEETS**  
(dollars in thousands)

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
UTILITY PLANT (Notes 1, 6, 9 and 10)		
Electric plant in service and held for future use	\$ 12,781,256	\$ 12,198,010
Less accumulated depreciation and amortization	<u>4,326,908</u>	<u>4,129,958</u>
Net	8,454,348	8,068,052
Construction work in progress	460,748	571,977
Intangible assets, net of accumulated amortization of \$293,450 and \$280,633	164,183	131,243
Nuclear fuel, net of accumulated amortization of \$64,544 and \$55,343	<u>118,243</u>	<u>89,323</u>
Total utility plant	<u>9,197,522</u>	<u>8,860,595</u>
INVESTMENTS AND OTHER ASSETS		
Nuclear decommissioning trust (Note 12)	414,576	343,052
Assets from risk management activities (Note 18)	28,855	33,675
Other assets	<u>68,839</u>	<u>60,604</u>
Total investments and other assets	<u>512,270</u>	<u>437,331</u>
CURRENT ASSETS		
Cash and cash equivalents	120,798	71,544
Customer and other receivables	280,226	262,177
Accrued utility revenues	110,971	100,089
Allowance for doubtful accounts	(6,063)	(3,155)
Materials and supplies (at average cost)	176,020	173,252
Fossil fuel (at average cost)	39,245	29,752
Assets from risk management activities (Note 18)	50,619	32,181
Deferred income taxes (Notes 4 and S-1)	53,990	79,694
Other	<u>25,724</u>	<u>19,866</u>
Total current assets	<u>851,530</u>	<u>765,400</u>
DEFERRED DEBITS		
Deferred fuel and purchased power regulatory asset (Notes 1 and 3)	—	7,984
Other regulatory assets (Notes 1, 3, 4 and S-1)	781,714	787,506
Income tax receivable	65,498	—
Unamortized debt issue costs	20,959	22,026
Other	<u>73,909</u>	<u>82,735</u>
Total deferred debits	<u>942,080</u>	<u>900,251</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,503,402</u></u>	<u><u>\$ 10,963,577</u></u>

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

**ARIZONA PUBLIC SERVICE COMPANY**  
**BALANCE SHEETS**  
(dollars in thousands)

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CAPITALIZATION</b>		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	2,126,863	2,117,789
Retained earnings	1,250,126	1,168,901
Accumulated other comprehensive income (loss):		
Pension and other postretirement benefits (Note 8)	(29,114)	(26,960)
Derivative instruments	(80,682)	(98,742)
Common stock equity	<u>3,445,355</u>	<u>3,339,150</u>
Long-term debt less current maturities (Note 6)	<u>3,180,406</u>	<u>2,850,242</u>
Total capitalization	<u>6,625,761</u>	<u>6,189,392</u>
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	—	521,684
Current maturities of long-term debt (Note 6)	197,176	874
Accounts payable	213,833	233,529
Accrued taxes	158,051	219,129
Accrued interest	54,099	39,860
Customer deposits	70,780	77,452
Liabilities from risk management activities (Note 18)	55,908	69,585
Other	124,995	105,655
Total current liabilities	<u>874,842</u>	<u>1,267,768</u>
<b>DEFERRED CREDITS AND OTHER</b>		
Deferred income taxes (Notes 4 and S-1)	1,582,945	1,401,412
Deferred fuel and purchased power regulatory liability (Notes 1 and 3)	87,291	—
Other regulatory liabilities (Notes 1, 3, 4, and S-1)	679,072	587,586
Liability for asset retirements (Note 12)	301,783	275,970
Liabilities for pension and other postretirement benefits (Note 8)	766,378	635,327
Customer advances for construction	136,595	132,023
Liabilities from risk management activities (Note 18)	62,443	126,532
Coal mine reclamation	92,060	91,201
Unrecognized tax benefits	140,638	67,846
Other	153,594	188,520
Total deferred credits and other	<u>4,002,799</u>	<u>3,506,417</u>
<b>COMMITMENTS AND CONTINGENCIES (SEE NOTES)</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 11,503,402</u>	<u>\$ 10,963,577</u>

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

**ARIZONA PUBLIC SERVICE COMPANY**  
**STATEMENTS OF CASH FLOWS**  
(dollars in thousands)

	Year Ended December 31,		
	2009	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 251,225	\$ 262,344	\$ 283,940
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization including nuclear fuel	438,284	416,709	395,890
Deferred fuel and purchased power	(51,742)	(80,183)	(196,136)
Deferred fuel and purchased power amortization	147,018	183,126	231,106
Deferred fuel and purchased power regulatory disallowance	—	—	14,370
Allowance for equity funds used during construction	(14,999)	(18,636)	(21,195)
Deferred income taxes	192,914	145,157	(44,478)
Change in mark-to-market valuations	(6,939)	7,792	(6,758)
Changes in current assets and liabilities:			
Customer and other receivables	2,603	40,782	19,825
Accrued utility revenues	(10,882)	6,784	4,057
Materials, supplies and fossil fuel	(12,261)	(25,453)	(29,776)
Other current assets	(9,427)	128	(8,056)
Accounts payable	(22,129)	(5,915)	(2,797)
Accrued taxes	(61,078)	(12,377)	13,802
Other current liabilities	26,907	20,527	20,231
Change in margin and collateral accounts — assets	(13,206)	17,850	11,252
Change in margin and collateral accounts — liabilities	35,654	(132,416)	27,624
Change in regulatory liabilities	110,642	(12,129)	7,541
Change in long-term income tax receivable	(132,379)	—	—
Change in unrecognized tax benefits	137,478	(92,064)	27,773
Change in other long-term assets	(53,734)	14,340	(23,577)
Change in other long-term liabilities	4,770	48,894	41,177
Net cash flow provided by operating activities	<u>958,719</u>	<u>785,260</u>	<u>765,815</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(754,301)	(910,189)	(924,166)
Contributions in aid of construction	53,525	60,292	41,809
Capitalized interest	(10,386)	(14,313)	(12,308)
Proceeds from sale of investment securities	—	—	69,225
Purchases of investment securities	—	—	(36,525)
Proceeds from nuclear decommissioning trust sales	441,242	317,619	259,026
Investment in nuclear decommissioning trust	(463,033)	(338,361)	(279,768)
Other	(4,667)	5,517	1,211
Net cash flow used for investing activities	<u>(737,620)</u>	<u>(879,435)</u>	<u>(881,496)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of long-term debt	863,780	—	—
Short-term borrowings — net	(521,684)	303,684	218,000
Equity infusion	—	7,601	39,548
Dividends paid on common stock	(170,000)	(170,000)	(170,000)
Repayment and reacquisition of long-term debt	(343,941)	(27,717)	(1,586)
Net cash flow provided by (used for) financing activities	<u>(171,845)</u>	<u>113,568</u>	<u>85,962</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>49,254</u>	<u>19,393</u>	<u>(29,719)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>71,544</u>	<u>52,151</u>	<u>81,870</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 120,798</u>	<u>\$ 71,544</u>	<u>\$ 52,151</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year for:			
Income taxes, net of refunds	\$ 13,555	\$ 56,728	\$ 186,183
Interest, net of amounts capitalized	\$ 181,597	\$ 167,592	\$ 165,279

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

**ARIZONA PUBLIC SERVICE COMPANY**  
**STATEMENTS OF CHANGES IN COMMON STOCK EQUITY**  
(dollars in thousands)

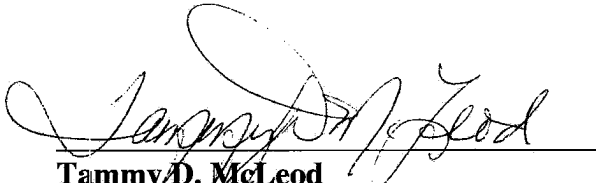
	Year Ended December 31,		
	2009	2008	2007
COMMON STOCK	\$ 178,162	\$ 178,162	\$ 178,162
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	2,117,789	2,105,466	2,065,918
Equity Infusion	—	7,601	39,548
Other	9,074	4,722	—
Balance at end of year	2,126,863	2,117,789	2,105,466
RETAINED EARNINGS			
Balance at beginning of year	1,168,901	1,076,557	960,405
Net income	251,225	262,344	283,940
Common stock dividends	(170,000)	(170,000)	(170,000)
Cumulative effect of change in accounting for income taxes (Note S-1)	—	—	2,212
Balance at end of year	1,250,126	1,168,901	1,076,557
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of year	(125,702)	(8,744)	2,988
Pension and other postretirement benefits (Note 8):			
Unrealized actuarial loss, net of tax benefit of \$(2,938), \$(5,075) and \$(15,126)	(4,571)	(7,597)	(23,304)
Prior service cost, net of tax benefit of \$(463)	—	—	(713)
Amortization to income:			
Actuarial loss, net of tax benefit of \$1,387, \$1,393 and \$1,238	2,126	2,130	1,908
Prior service cost, net of tax benefit of \$190, \$189 and \$212	291	289	327
Derivative instruments:			
Net unrealized gain (loss), net of tax expense (benefit) of \$(61,317), \$(56,149) and \$1,369	(94,008)	(85,670)	2,040
Reclassification of net realized (gains) losses to income, net of tax (expense) benefit of \$73,261, \$(16,890) and \$5,164	112,068	(26,110)	8,010
Balance at end of year	(109,796)	(125,702)	(8,744)
TOTAL COMMON STOCK EQUITY	\$ 3,445,355	\$ 3,339,150	\$ 3,351,441
COMPREHENSIVE INCOME			
Net income	\$ 251,225	\$ 262,344	\$ 283,940
Other comprehensive income (loss)	15,906	(116,958)	(11,732)
Total comprehensive income	\$ 267,131	\$ 145,386	\$ 272,208

See Notes to Pinnacle West's Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Financial Statements.

**CERTIFICATION BY APS  
OF  
UTILITY SHUTOFFS / DISCONNECTS**

**I certify that to the best of my knowledge and based on the information made available to me, the attached Utility Shutoffs / Disconnects report is complete and accurate in all material respects.**

**Date: April 14, 2010**

  
**Tammy D. McLeod**  
**Vice President & Chief Customer Officer**